

*To strengthen
and promote
cities as centers
of opportunity,
leadership, and
governance.*



**National League
of Cities**

1301 Pennsylvania Ave., N.W.
Washington, D.C. 20004-1763
202-626-3000
Fax: 202-626-3043
www.nlc.org

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**Testimony of the Honorable James C. Hunt,
City Councilor, Clarksburg, West Virginia
and
First Vice President, National League Cities**

**Before the House Government Reform
Subcommittee on Federalism and the Census**

March 1, 2005

Chairman Turner, Ranking Member Clay and members of the subcommittee, thank you for the opportunity to appear before you today to discuss the Administration's proposed shift of Community Development Block Grant (CDBG) program to the Department of Commerce. My name is Jim Hunt. I am City Councilman and former Mayor of Clarksburg, West Virginia and am appearing before you today as First Vice President of the National League of Cities.

The National League of Cities, the nation's oldest and largest organization for municipalities, represents 18,000 cities and towns and over 140,000 local elected officials. Its mission is to strengthen and promote cities as centers of opportunity, leadership, and governance, and to serve as a national resource and advocate for the municipal governments it represents. No matter the size of city, programs like the Community Development Block Grant (CDBG) program have played a critical role

in rejuvenating distressed communities and alleviating economic decline throughout our nation's cities.

CDBG has played a critical role in rejuvenating distressed neighborhoods and alleviating economic decline in all types of communities. It is one of the best and only tools currently available to spur economic growth. However, CDBG is not just a jobs creator or economic development incubator, it is also a catalyst for affordable housing and new public infrastructure.

Take my city of Clarksburg, West Virginia, as an example. Using CDBG grant funds, Clarksburg recently constructed a new water line that serves the FBI's new Criminal Justice Information Services Division building. The facility employs over 2,700 people in and around my community.

This project also opened up hundreds of acres of land that are now a hotbed of economic development activity. Before the project, these properties were either blighted or idle because they had no reliable access to water. Today, these lands generate jobs, spur economic activity, and provide housing and green space. They also generate new revenue for the city, the state, and ultimately, the federal government.

This story is echoed in cities across America:

- Tuscaloosa, Alabama used \$2 million in CDBG funds to renovate an area near the University of Alabama. The project helped create more than 100 new jobs and retained many more.
- Milwaukee, Wisconsin used the program to rehabilitate or construct more than 700 affordable housing units — and help more than 250 low income, first-time home buyers live out the American dream.

Unfortunately, the Administration is proposing to eviscerate the CDBG program by shifting its funding to a new and significantly smaller program within the Department of Commerce. For reasons to be outlined shortly, NLC urges you to reject the Administration's proposal and to maintain CDBG as a distinct and separate program within the Department of Housing and Urban Development (HUD).

A. The Administration's Strengthening America's Communities Initiative (SAC) Would Not Serve the President's Goal of Supporting Economic Development.

The Administration's Strengthening America's Communities Initiative (SAC) will have a tremendous impact on the way the Federal government allocates community development funds. Unfortunately, it has offered little in the way of details to the various stakeholders. Therefore, it is difficult to quantify one's concerns without knowing the specifics. However, based on the documents released by the Administration in support of the proposal, local governments have these initial concerns

Specifically:

1. The proposal would drastically reduce community development funding by roughly \$2 billion -- funding local governments will not be able replace.
2. The proposal would significantly alter eligibility requirements to the disadvantage of some low- and moderate- income communities.
3. The proposal would narrow the performance standards from that of the current CDBG program to only economic criteria, a step that would drastically reduce the flexibility and effectiveness of community development monies.

1. The Administration's SAC Program Would Drastically Reduce Funding for Community Development Programs That Cannot Be Recovered.

The Administration's SAC proposal collapses 18 current programs, whose combined fiscal year 2005 budgets total approximately \$5.5 billion, into a single grant program funded at \$3.7 billion. The Administration's proposed budget for SAC grants represents a funding cut of nearly 35 percent from what Congress allocated in fiscal year 2005 for all 18 programs. This cut disproportionately harms CDBG funding because CDBG's fiscal year 2005 funding level of \$4.7 billion represents nearly 80 percent of the \$5.5 billion of combined funding. Moreover, the proposed \$3.7 billion for SAC grants is \$1 billion short of CDBG's current funding level.

The Administration claims that it is seeking to "retarget and refocus" these funds to create new program efficiencies. However, from a practical standpoint, NLC questions whether moving the programs from HUD, where administrative and professional infrastructures already exist and function well, to the Department of Commerce will generate any real savings because building the agency's capacity to administer the programs alone would likely consume any cost savings derived from consolidating these programs.

2. The Administration's New Eligibility Criteria Would Ignore the Needs of Many Low- and Moderate - Income Communities.

The Office of Management and Budget claims that SAC will better fund communities most in "need of assistance" by creating new eligibility criteria around national job loss, unemployment, and poverty rates. Too many communities, it says, receive funding that they no longer need, even though many of these communities have poverty rates below the national average.

The details are still unclear as to which communities will be eligible for SAC grants, but it seems clear that they must, at the very least, have poverty and job loss rates above the national average. If this is so, then Administration has made the mistaken assumption that impoverished neighborhoods no longer exist in communities ranking above the national average on the poverty and job loss index. We at the local level know however, that this is far from reality.

Using national averages to measure assistance needs ignores the reality that our nation is comprised of local economic regions that are unique. For example, the majority of families who

earn below the regional median household income in the greater Washington, D.C. - Baltimore metropolitan area may earn more than the national poverty rate, but they are just as much in need of assistance because the cost-of-living in this region is significantly higher than the national average.

Throughout West Virginia, when you travel to virtually every city, from large to small, you don't have to drive very far to find the areas of our cities and towns that have been forgotten; where poverty and despair reign. This one-size-fits-all approach proposed by the Administration will likely stifle the flexibility and effectiveness currently found in CDBG. The result will be that many cities and towns will still be forgotten and poverty and despair will continue to reign.

3. The Administration's Proposal Would Narrow Performance Standards, Drastically Reducing the Flexibility and Effectiveness of Community Development Monies.

The Office of Management and Budget claims that programs like CDBG have no measurable results. The Administration's proposal suggests new performance standards like job creation, new business formation rates, commercial development and private sector investment as tools to determine whether communities receiving SAC funds are achieving results and thus, their eligibility to retain funds or to earn bonus grants.

Unfortunately, measuring results by these criteria makes little sense for communities that are chronically impoverished, have little to offer in the way of resources, and are unlikely to show

significant progress over relatively short periods. In short, these communities are being set up to fail.

For example, Clarksburg recently used a \$250,000 CDBG grant to demolish vacant and dilapidated buildings in certain neighborhoods throughout our city. These structures were havens for crime, targets for vandalism and fires, and an attractive nuisance for our children. The city used the vacant lots created by the project to expand businesses as well as create space for larger yards and garages for our residents.

Unfortunately, it is very difficult to assess the impact of removing a drug den from a neighborhood using economic criteria alone. Moreover, it is difficult to assess economic impact in relation to this type of project over a short period. Yet, the Administration's proposed criteria would try to do just that. Closing down a drug den may not immediately create job growth, spur new business formation, or encourage new commercial and residential development. However, it will immediately increase the quality-of-life of its neighbors. That is measurable and is the foundational beginning for any plan to attract new commercial and residential development in the future.

Since its creation in 1974, CDBG has had a three-pronged mission to: (1) benefit low- and moderate-income individuals and households; (2) eliminate slums and blight; and (3) address the urgent needs of communities faced with a serious and immediate economic or health threat.

These goals have allowed local government broad latitude in how it uses grant funds, and whether that use is for the creation of new economic development opportunities, affordable housing, public facilities, or services. Ultimately, these goals have given cities the latitude to address "urgent needs" like eliminating drug dens and other cancers on our communities -- latitude not found with other programs. It is because of CDBG's flexibility and autonomy of local control that the CDBG program has become, from the local government perspective, the most effective form of federal assistance currently available.

If the Congress alters the CDBG program as proposed, however, we in West Virginia fear that the state's entitlement cities will be placed in direct competition with non-entitlement cities as well as with larger municipalities located across the nation. CDBG communities have already faced reduced funds from the program. This problem does not necessarily stem from huge cuts in CDBG funding. Instead, it is the result of a continued and growing need. More simply put, more communities have been competing for a static or slightly decreasing pot of money. Now the Administration proposes to cut that scarce funding by a total of nearly \$1 billion (\$2 billion if one includes the other 17 community development programs). This cut can only exacerbate the problem and increase competition among localities. To say that the SAC proposal is a compassionate attempt to bring more money to distressed areas like those in West Virginia is to deny the reality that there will be less funding for an ever-larger universe of need.

B. The CDBG Program Should Remain Flexible and Distinct from Other Community Development and Economic Development Programs and Should Be Level Funded for FY 2005.

The long-standing goal of community development has been to improve the physical, economic, cultural and social conditions and opportunities a community offers its residents. For this reason, NLC urges the Congress to work with state and local governments as a full partners in achieving this goal. Over the last 30 years, the CDBG program has served as an excellent example of a successful federal and local community development partnership. For this reason, NLC will continue to advocate in Congress for a fully-funded CDBG program at the Department of Housing and Urban Development that is distinct and separate from other economic and community development programs.

NLC will strongly support legislation that funds CDBG formula grants at no less than \$4.35 billion and the overall program at \$4.7 billion. Moreover, NLC will support legislation that keeps the CDBG program within the HUD account and provides a direct, flexible and reliable source of funding to local government. Lastly, NLC will seek to maintain the current “dual formula” system where at least 70 percent of CDBG formula funds go directly to cities.